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## Consultation Document

# Balancing the responsibilities for skills investment: proposals for co-investment in post-19 adult skills delivery

Date of issue: **21 February 2014**

Action required: Responses by **16 May 2014**

# Balancing the responsibilities for skills investment: proposals for co-investment in post-19 adult skills delivery

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|--|---|
| <b>Overview</b>                                  | <p>The Welsh Government launched the <i>Policy statement on skills</i> on 30 January 2014. The statement outlined a number of funding principles for post-19 skills delivery built upon the concept of co-investment. This consultation aims to provide further context for how co-investment between government, employers and, in some cases, individuals will be implemented in Wales and to seek the views of key stakeholders and employers on such arrangements.</p>  |
| <b>How to respond</b>                            | <p>Responses to this consultation should be e-mailed/posted to the address below to arrive by <b>16 May 2014</b> at the latest.</p>   |
| <b>Further information and related documents</b> | <p>Large print, Braille and alternate language versions of this document are available on request.</p> <p>In the context of this consultation respondents should consider the policy actions outlined within the abovementioned <i>Policy statement on skills</i>. The statement can be accessed online at <a href="http://www.wales.gov.uk/educationandskills">www.wales.gov.uk/educationandskills</a></p> <p>The consultation documents can be accessed from the Welsh Government's website at <a href="http://www.wales.gov.uk/consultations">www.wales.gov.uk/consultations</a></p> |
| <b>Contact details</b>                           | <p>For further information:<br/>Consultation on co-investment<br/>Employment and Skills Policy Team<br/>Department for Education and Skills<br/>Welsh Government<br/>Tŷ'r Afon<br/>Bedwas Road<br/>Bedwas<br/>Caerphilly<br/>CF83 8WT</p> <p>e-mail: <a href="mailto:employmentandskillspolicy@wales.gsi.gov.uk">employmentandskillspolicy@wales.gsi.gov.uk</a></p>   |

## **Data protection**

### **How the views and information you give us will be used**

Any response you send us will be seen in full by Welsh Government staff dealing with the issues which this consultation is about. It may also be seen by other Welsh Government staff to help them plan future consultations.

The Welsh Government intends to publish a summary of the responses to this document. We may also publish responses in full. Normally, the name and address (or part of the address) of the person or organisation who sent the response are published with the response. This helps to show that the consultation was carried out properly. If you do not want your name or address published, please tell us this in writing when you send your response. We will then blank them out.

Names or addresses we blank out might still get published later, though we do not think this would happen very often. The Freedom of Information Act 2000 and the Environmental Information Regulations 2004 allow the public to ask to see information held by many public bodies, including the Welsh Government. This includes information which has not been published. However, the law also allows us to withhold information in some circumstances. If anyone asks to see information we have withheld, we will have to decide whether to release it or not. If someone has asked for their name and address not to be published, that is an important fact we would take into account. However, there might sometimes be important reasons why we would have to reveal someone's name and address, even though they have asked for them not to be published. We would get in touch with the person and ask their views before we finally decided to reveal the information.

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## Ministerial foreword



In January 2014, I launched the Welsh Government's Policy statement on skills. The statement set out the actions we will take to support employers, employees and those seeking to up-skill through the skills system in Wales. Underpinning these actions is the principle of co-investment, an approach where government, employers and individuals take collective action to support the delivery of skills. This approach will be fundamental to ensuring Wales develops a competitive edge in mobilising a productive and skilled workforce.

At the heart of the skills system is the willingness across all stakeholders to invest in the skills needed to secure our future prosperity. For Wales, this means bridging the gap in existing levels of investment compared to our competitors and focusing resources in the pursuit of a more highly skilled nation. It also means making best use of the support available to employers and individuals to further incentivise their investment in skills.

I believe that the co-investment principles described within our Policy statement on skills offer the right platform to ensure that we are able to address some of the challenges ahead. These principles recognise where government support can best be focused in order to support employers in their investment decisions as well as providing individuals with the assistance needed to secure the skills required for employment.

I recognise that implementing co-investment presents some tough choices for all stakeholders involved in the delivery of skills. However a lack of investment is one of the major barriers to ensuring Wales can build a skills system that is sustainable and can compete with the best. A key element of this is how we can make maximum use of existing European funding as well as ensure sustainable funding for skills in Wales beyond 2020.

I would ask all stakeholders to take the time to consider the details of this consultation. I am particularly keen to gain views from employers of different sizes and from a wide range of sectors to ensure that we gather input from a good cross-section of the Welsh economy to our future employment and skills delivery.

Finally, I would like to thank employers, union representatives and key stakeholders who have worked directly with us on the Policy statement on skills published in January. Through collective responsibility on skills delivery we will be able to build a more sustainable system and enhance the skills levels of people across Wales.

A handwritten signature in black ink, appearing to read 'Ken Skates'.

**Ken Skates AM, Deputy Minister for Skills and Technology**

## **Executive summary**

The Welsh Government published a Policy statement on skills on 30 January 2014. The statement outlined future policy actions required to ensure the resilience and sustainability of Wales' skills system. Included as part of those actions were a number of funding principles for post-19 skills delivery. These principles were developed with the aim of maximising the benefit to Wales of a co-investment policy which balances the responsibilities of government, employers and individuals to invest in skills. This consultation aims to provide further context on how a co-investment policy is best implemented and seeks the views of key stakeholders, particularly employers, on that implementation process.

## **Understanding co-investment**

Our definition of co-investment is where the total cost of training, in cash terms, is shared between two or more stakeholders. These stakeholders are broadly from three key groups: employers, government and individuals. Although the founding principle of our policy will be co-investment, we recognise that there may be a continuing need for direct intervention where market failure exists in areas of government priority.

## **Balancing responsibilities for skills investment**

One of the key aims of the new strategy is simplicity. To ensure everyone knows what is expected, we have, below, outlined what the key responsibilities might be:

### **Responsibilities of government**

- Apprenticeship provision at level 3 and below for those individuals who are under the age of 25 when commencing their apprenticeship framework. This is aligned with our Youth Engagement and Progression Framework<sup>1</sup>.
- Support for level 2 Essential Skills<sup>2</sup> for the majority of adults who are not already in possession of a qualification to the equivalent level.

### **Areas for co-investment**

- A nominal contribution of up to 50 per cent from government to support employers to invest in accredited<sup>3</sup> training for their employees who are aged 19 and over, with the balance of co-investment to be in cash terms as opposed to in kind contributions.
- Apprenticeship provision for the over 25 age group where the cost of delivery will be shared between employers and government.

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<sup>1</sup> Launched in October 2013 the Youth Engagement and Profession Framework focuses on reducing the number of young people aged 11 to 25 who are not engaged in education, employment or training (NEET).

<sup>2</sup> Essential Skills is a suite of three different skills qualifications: Communication (i.e. literacy skills), Application of Number (i.e. numeracy skills) and Information Communication Technology (i.e. ICT skills).

<sup>3</sup> For example, certificated training which has been endorsed by the appropriate sector or professional body and is based on the occupational or professional standards recognised by a sector.

## **Responsibilities of employers or individuals**

- Self financed training by individuals where no form of government funding is available<sup>4</sup>.
- Non-accredited training or informal learning.

## **Keeping it simple**

It is important that policies developed in Wales to encourage co-investment are both straightforward to understand and are applied consistently across all government-supported post-19 skills delivery programmes. This is particularly important from the perspective of employers and individuals who will only engage if they can readily understand what is available. Co-investment therefore provides a method for government, employers and individuals to make joint and strategic investments in skills. It also allows government to make decisions on those market failures requiring unique attention and where short-term intervention through co-investment could be of benefit. We believe that these actions will drive a better balance between the supply of training via providers and the demand for training from individuals and employers. In brief, we strongly believe that requiring more co-investment will lead to more focused choices on where to deploy our skills funding.

## **Taking action beyond co-investment**

Co-investment cannot operate in isolation from the broader policy actions within the Policy statement on skills. Proposed actions to support collaboration amongst networks of employers, and actions to simplify and integrate our employment and skills offer via a Skills Gateway will all be developed with the concept of co-investment in mind. We also recognise that co-investment will need to take account of existing schemes that utilise the investment made by employers including, for example, levy arrangements within the construction, engineering and film industries.

In addition, there is an ongoing *Review of higher education funding and student finance arrangements*<sup>5</sup> in Wales. In time, we expect to see further convergence between our action on co-investment and the outcomes of this Review to ensure consistency across all post-19 skills delivery. We will also be working with the Wales European Funding Office (WEFO) to review how our policies for co-investment should best be taken into account as part of the next phase of European funding.

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<sup>4</sup> This excludes support for individuals who are seeking employment and those in part-time employment, as defined by the Department for Work and Pensions (DWP), who are looking to develop their skills. Work in this area is being taken forward by a newly established joint Welsh/UK Government task and finish group.

<sup>5</sup> The Review of Higher Education Funding and Student Finance Arrangements in Wales was announced in November 2013 by the Minister for Education and Skills and will be led by Professor Sir Ian Diamond.

## **Next steps**

The responses to this consultation will be used to inform the development of our co-investment policy. This will then form a key part of the Implementation Plan to be published in July 2014. This Plan will set out how and when we will deliver the key policy actions within the Policy statement on skills and the timeframe for implementing our approach to co-investment.



## Achieving our potential

If Wales is to compete with the best we believe it is important to establish a series of skills performance measures to assess the effectiveness of our policy actions, including those relating to co-investment. Once agreed, these measures can provide a method for determining how co-investment policies continue to be steered and implemented particularly in terms of identifying potential market failures.

To improve our national skills base and aspire to remain competitive in a global market, our intention is to set Wales' skills performance measures up to 2024 to direct a long-term and sustainable approach. These measures will be finalised and published as part of our Implementation Plan in July. A summary of our initial projections based on the level of qualification achieved by the working population aged 19 plus is shown below.

Table 1: Initial skills performance measures projected to 2024

| <b>Qualification level of those in the working population in Wales aged 19-64</b> | <b>Percentage in Wales 2012<sup>6</sup></b> | <b>Percentage in Wales by 2024<sup>7</sup></b> |
|---|---|--|
| Level 4 and above   | 32%   | 44%  |
| Level 3   | 21%   | 31%  |
| Level 2   | 21%   | 20%  |
| Below level 2, including no qualifications held                                   | 26%   | 5%   |

Our current view is that Wales should seek to establish level 3 as the long-term benchmark for the majority of the working population aged 19 plus. This is in recognition of the upward pressure on skills as jobs become more highly skilled. The potential implication of establishing level 3 as the benchmark is that government investment will be prioritised in supporting those interventions that enable this particular skills performance measure to be met. We will of course monitor and review this benchmark in recognition of the improvements being made to pre-19 education and training guided by our new planning and funding arrangements for post-16 learning (excluding higher education).

Our initial projections also indicate the importance of higher level skills (level 4 and above) in achieving our 2024 skills performance measures. To support this measure we believe it important to achieve greater levels of convergence between academic and vocational routes into higher learning. In this respect we want to ensure that vocational education and training is appropriately valued as a route into higher level learning and understand how co-investment may be used as a lever for achieving such parity. Such an approach will need to take account of the forthcoming *Review of higher education funding and student finance arrangements in Wales*.

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<sup>6</sup> Based on an analysis of the highest qualification levels of working age adults aged 19-64.

<sup>7</sup> Projections being considered in setting future skills target measures for Wales.

We recognise that raising the supply of skills will have little impact on Wales' productivity levels if such skills are not fully utilised within the workplace. Alongside skills performance measures we are therefore considering how co-investment could be applied to support employers to make better use of the skills of their workforce. This could lead to an increased level of employer investment over time as business benefits are realised (i.e. increased productivity or profit levels).

**Q1. What are your views on the proposed skills performance measures, including the Level 3 attainment benchmark?**

**Q2. How do you consider co-investment being used as a mechanism for improving the value of vocational education and training in the delivery of higher-level skills?**

**Q3. How could co-investment be used to support employers in better utilising the skills of their employees? Are there examples of best practice from which Wales can learn?**

## Increasing investment in skills

Delivering on Wales' skills potential relies on the level of investment taking place across all stakeholders, not just through government. Evidence suggests that these investment levels are not keeping pace with other nations of the UK. For example, we know that employers in Wales make less of an investment in skills than the UK average<sup>8</sup> and that they are also more likely to be receiving support for external training<sup>9</sup>. This evidence could indicate a number of issues such as the potential reliance amongst employers in Wales on alternative sources of funding or whether the skills provision being made available to employers is reflective of their needs, particularly from a quality perspective.

Our approach to co-investment is therefore to look at how employers can be further incentivised to invest in the skills system. This includes considering how European and other sources of funding are used to encourage an increase in investment levels. Underpinning our approach will be a focus on balancing price, quality and value. To support these factors we wish to explore options for establishing some form of pricing structure across all qualifications or learning outcomes. The aim of this is to ensure that levels of co-investment are applied consistently and to reduce the risk of co-investment being undermined. The pricing structure would provide the mechanism for communicating levels of co-investment as well as any quality and value for money criteria that need to be met.

Increasing employer investment in skills must be seen as one of the overriding goals of co-investment. To this end we are considering how further action beyond that of price, quality and value could incentivise employers to increase the levels of investment in skills. We will therefore be looking at what legal or other frameworks could be adopted in Wales to support employers in taking collective action on skills where a consensus amongst industries or sectors is evidenced. This includes recognising the benefits to Wales of introducing forms of compulsory training levies should investment levels not keep pace with our skills performance measures.

**Q4. What are your views on the establishment of a pricing structure to maintain levels of quality, value and price in the delivery of qualifications and learning?**

**Q5. What are the risks or issues that could potentially undermine the implementation of a co-investment policy in Wales and how could these be addressed?**

**Q6. What additional incentives could be used to support employers to increase their investment in the skills system, including potential levy arrangements?**

<sup>8</sup> Employer Skills Survey 2013: UK Results (UK Commission for Employment and Skills, 2014).

<sup>9</sup> Employer Perspectives Survey 2012 (UK Commission for Employment and Skills, 2012).

## Delivering what employers value

It is important that we deliver learning which is of value to employers. Beyond an involvement in the design of qualifications, co-investment offers an additional lever for ensuring learning or qualifications valued by employers are supported by an appropriate balance of support from government. We believe this is about working with employers to determine the market failures requiring government intervention.

One such market failure could exist where an entirely new vocational qualification or apprenticeship framework has been developed. In this scenario there may be an initial benefit in waiving or limiting the requirement to co-invest for a short introductory period. This may occur until such time that the vocational qualification or apprenticeship framework is fully embedded within an industry. We will keep such arrangements under review. However, we expect this introductory period to last no more than 3 years.

For vocational qualifications or apprenticeship frameworks with an established history, there may conversely be a rationale for limiting the level of support from government. This is in recognition of the perceived value from the employer perspective and the benefits employers gain from such investments. There are also qualifications in Wales that are statutory in nature (i.e. where legislation requires that a particular qualification is held). In considering a limit to the level of support from government, we need to understand how these statutory qualifications fit with our approach to co-investment.

The recent UK Employer Skills Survey recognised oral and written Welsh language skills gaps among the workforce (although these were not as common as issues with other skills such as planning and organisation skills)<sup>10</sup>. We want to ensure that, where possible, individuals are supported to utilise these skills in the workplace. As such we are considering the benefits of waiving or limiting the level of co-investment required from employers depending on the qualification being undertaken and its impact on the Welsh language.

**Q7. Under what circumstances would you consider it important for co-investment to be waived or limited?**

**Q8. In your view, which qualifications or learning should not be supported by any form of government investment and why?**

**Q9. How could a co-investment policy be used to support the development of Welsh language skills in the workplace?**

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<sup>10</sup> UKCES Employer Skills Survey 2013, UK Results, Table 3.4 Skills lacking among staff with skills gaps

## Improving the prospects of individuals in employment

Our principles for co-investment recognise the importance of supporting individuals with low or no essential skills to progress once in employment. We believe this to be a vital element in raising the skills levels across the workforce and in providing the foundation for further skills development. We believe that Essential Skills attainment to level 2 provides such a foundation.

It is important that we gain the backing of employers if we are to deliver against our focus on Essential Skills to level 2. To support this aim we are considering how the existing Employer Pledge<sup>11</sup> could be refocused to support employers to invest in the skills needs of their workforce. This includes reviewing how the Welsh Government, working with key partners in the public, private and third sectors, can promote the benefits of addressing low skills in the workplace.

In addition, we are concerned that employed older people (i.e. those aged 50 plus), those with disabilities and those working in part-time roles, may be less likely to be in receipt of training support via their employers. To address these concerns we are considering how support for such vulnerable groups could be integrated as part of our co-investment policy without adding to its complexity. This also recognises our overall aim of establishing level 3 as the long-term benchmark for the majority of the working population aged 19 plus.

**Q10. Beyond Essential Skills to Level 2, what other skills areas do you see as fundamental to provide the foundation for improving skills levels in Wales? How could co-investment be used to support these skills areas?**

**Q11. How might a refocused Employer Pledge be structured to support employers to invest in the skills of their workforce?**

**Q12. In the context of co-investment, what considerations should be given to support vulnerable groups who are in employment to address their skills needs?**

We have asked a number of specific questions as part of this consultation. If you have any related issues which we have not specifically addressed, please include these with your response in the section provided.

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<sup>11</sup> The Employer Pledge Award is given to employers who show a real commitment to supporting their employees in the workplace. Further details on the Employer Pledge can be found at: <http://wales.gov.uk/topics/educationandskills/skillsandtraining/esiwemployersguide/employer-pledge-award/?lang=en>